UMZIMKHULU MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 23,and in appendix D, E(1) and E(2) in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 16 to 17 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

31 August 2007

MUNICIPAL & FINANCIAL ADMINISTRATION SERVICES
32 ENTOMBENI DRIVE
AMANZIMTOTI
4125

The Municipal Manager
Umzimkhulu Municipality
P O Box 53
Umzimkhulu
3297

30 August 2007

Dear Sir,

COMPILATION REPORT – ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2007

Attached please find the annual financial statements as at 30 June 2007, which were compiled using the information that was made available to us. We have not conducted an audit on the available information; however the following items require your urgent attention and noting:

- No fixed asset register has been made available to date. This has placed severe limitations in the compilation process and has resulted in the non-production of certain appendices to the annual financial statements. Furthermore, no unbundling of the GAMAP conversion could be undertaken nor any depreciation charge calculated for 2006/2007. I do believe that the Office of the Auditor-General will allow amendments to the annual financial statements; amendments resulting from informal queries.

- There was a distinct lack of suitable working papers for 2005/2006 which made the basis of the 2006/2007 compilation process extremely difficult. Of particular concern was an unknown fund created of R 10 014 648 during 2005/2006. No supporting documentation was placed in the working paper file, with exception of a note stating that it was sundry expenditure on funds. The explanation did no justice as the fund had a credit balance. This unknown fund was therefore transferred to the statement of financial performance as at 30 June 2007. Furthermore, certain comparative disclosures could not be made due to the lack of suitable working papers.

- A VAT debtor of R 6 090 991 is disclosed as at 30 June 2007. No reconciliation has been compiled as we are still awaiting the workings from the external service providers. Our main concern is the inclusion of the VAT recovery in the 2007/2008 operating budget as a revenue source. It can therefore be concluded that the operating budget will not be fully realized and accordingly preventative steps must be commissioned with immediate effect; culminating in an adjustments budget (S28 of the MFMA).

MUNICIPAL & FINANCIAL ADMINISTRATION SERVICES
32 ENTOMBENI DRIVE
AMANZIMTOTI
4125

- Provision for bad debts has been increased by R 3 288 885 as at 30 June 2007. The provisions covers assessment rates and refuse debtors aged older than twelve months.

- It is with disappointment that I must refer to my previous correspondence in which I have reported the lack of assistance and co-operation from certain staff members within the finance department. To date the same officials have not been of any significant assistance to us in the compilation process. On a positive note, there is junior staff that has been most helpful during this process.

- The accumulated deficit of R 6,5m as at 30 June 2006 has been turned around to reflect an accumulated surplus of R 11,4m. Whilst cash backing has improved significantly, every effort must be made to convert debtors into cash and maintain a positive cash flow situation.

- In terms of Section 124 (1) (b) of the MFMA disclosure must be made of arrears owed by individual Councillors. Due to the fact that a data cleansing exercise is to be performed through MAP, I do not place any reliance on the historical records of rates assessments and consumer charges. I therefore have not disclosed any arrears in the annual financial statements.

May I recommend that we work-shop the annual financial statements with EXCO/Council after amendments, that have resulted from informal queries, have been made.

Yours faithfully

F M A DICKASON.

Contact numbers Dick 082 303 4614 or Mark 082 468 5255

UMZIMKHULU MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

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Appendix "D","E", (1) ,and "E",(2)

The annual financial statements set out on pages 2 to 23, have been approved by the Municipal Manager and are signed. Refer to the 1st page.

UMZIMKHULU MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

NET ASSETS AND LIABILITIES	Note	2007 R	2006 R
Net Assets		**36 990 298**	**11 163 374**
Capitalization Reserves	1.2	17 725 886	17 725 886
Government Grant Reserve		7 839 859	-
Accumulated Surplus/(Deficit)		11 424 553	(6 562 512)
Current liabilities		**40 514 559**	**22473536**
Provisions	3	-	131 770
Creditors	4	21 542 346	16 775 356
Conditional Grants and Receipts	2	18 972 213	5 566 410
Total Net Assets and Liabilities		***77 504 857***	***33 636 910***
ASSETS			
Non-current assets		**64 361 085**	**20 669 871**
Property, plant and equipment	6	27 941 592	17 725 888
Investments	7	36 419 493	2 943 983
Current assets		**13 143 772**	**12 967 039**
Consumer debtors	9	1 893 390	6 784 793
Other debtors	10	4 163 430	5 057 567
Current portion of long-term loans	8	-	122 941
VAT	10.1	6 090 991	-
Bank balances and Cash	11	995 961	1 001 738
Total Assets		***77 504 857***	***33 636 910***

UMZIMKHULU MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007

Budget 2006 R	Budget 2007 R		Note	Actual 2007 R	Actual 2006 R
		INCOME			
5 000 000	1 229 660	Assessment Rates		1 229 716	908 595
19 111 279	1 199 909	Service charges		962 658	1 680 559
2 000 000	1 310 096	Fines		1 243 548	1 002 202
37 675 118	55 806 398	Government Grant & Subsidies		39 804 007	29 239 753
1 000 000	50 000	Interest on investments		244105	49 138
-	100 000	Interest on debtors		-	-
-	78 042	Licenses and permits		25 943	-
1 200 000	210 790	Rental income		305 786	277 915
5 446 933	2 890 865	Other Income		15 019 705	505 695
71 433 330	**62 875 760**	**Total Revenue**		**58 835 468**	**33 663 857**
		EXPENDITURE			
16 541 503	16 946 369	Employment related costs		11891246	12 710 523
2 764 401	8 723 057	Remuneration of Councilors		6986420	2 764 401
1 348 232	1 348 232	Depreciation		-	1 348 232
1 869 805	2 175 000	Repairs and maintenance		995133	6 916 319
28 581 575	-	Capital expenditure		-	9 315 144
19 201 863	33 555 446	General expenditure		9805663	10 626 348
1 125 951	-	Contributions to bad debt		3288885	-
-	-	Bad debt written off		41200	649 752
71 433 330	**62 748 104**	**Total Expenditure**		**33 008 547**	**44 330 719**
		Net Surplus/(Deficit) for the year		**25 826 921**	**(10 666 861)**

Refer to Appendix E(1) for the comparison with the approved budget

UMZIMKHULU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Government Grant Reserve	Capitalisation Reserve	Donations and Public Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
2006					
Balance at 1 July 2006	-	19 074 119	-	2 746 019	21 820 138
Adjustments	-	-	-	-	-
Restated balance	-	19 074 119	-	2 746 019	21 820 138
Surplus/(deficit) for the year	-	-	-	(10 666 861)	(10 666 861)
Stale cheques written off	-	-	-	10 098	10098
Offsetting of depreciation	-	(1 348 232)	-	1 348 232	-
Balance at 30 June 2006	-	**17 725 887**	-	**(6 562 512)**	**11 163 375**
2007					
Adjustments	-	-	-		-
Restated balance	-	-	-		-
Nett Surplus/Deficit for the year	-	-	-	25 826 921	25 826 921
Capital Grants used to purchase PPE	7 839 859	-	-	(7 839 859)	-
Capital grants used to purchase PPE					
Off-setting depreciation	-	-	-	-	-
Balance at 30 June 2007	**7 839 859**	**17 725 887**	-	**11 424 550**	**36 990 296**

UMZIMKHULU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers government and other		93 949 479	31 937 031
		(53 025 045)	(35 315 018)
Cash generated from/(utilized in) operations	19	40 924 434	3 377 987
Interest received		1 012 133	49 138
NET CASH FROM OPERATION ACTIVITIES		**41 936 567**	**3 328 849**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10 215 704)	-
Increase in investments		(33 475 510)	-
Increase in government grant reserve		7 839 859	-
Long term debtor repaid		-	112 683
NET CASH FROM INVESTING ACTIVITIES		**(35 851 355)**	**112 683**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) in Trust and Project Funds		-	948 660
Increase in VAT		(6 090991)	
NET CASH FLOW FROM FINANCING ACTIVITIES			
NET DECREASE IN CASH & CASH EQUIVALENTS		**(5 779)**	**(2 267 501)**
Cash and cash equivalents at the beginning of the year		**1 001 740**	**6 213 222**
Cash and cash equivalents at the end of the year		**995 961**	**3 945 721**

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 20-03), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year. GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 20
The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. CONTRIBUTIONS

Contributions reflected in the statement of financial performance consist of contributions to the leave reserve fund, working capital reserve (provision for bad debts).

4.1 Capitalization Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time that had historically been utilized for the acquisition of items of property plant and equipment have been transferred to a Capitalization Reserve instead of the accumulated surplus/ (deficit). The balance on the Capitalization Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/ (deficit).
When an item of property, plant and equipment is disposed, the balance in the Capitalization Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

4. RESERVES (continued)

4.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

5. PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	Years	*Other*	
Years			
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	0-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
		Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

6. INVESTMENTS

Investments are stated at cost, less impairments adjustments.

Where investments have been impaired, this is recognized as an expense in the period that the impairment is identified.
Investment in associates and municipal entities are carried at cost.
On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

8. REVENUE RECOGNITION

8.1 Revenue from Exchange Transactions

Service charges relating to refuse removal are recognized on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property , and are levied monthly.

Interest and rentals are recognized on a time proportion basis

.

Revenue from the sale of goods are recognized when the risk is passed to the consumer.

8.2 Revenue from non-exchange transactions

Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue arising from the application of the approved tariff of charges is generally recognized when the relevant service is rendered.

9. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the Municipality has compiled with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

10. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents compromise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

11. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act no.56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or s in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14. COMPARATIVE INFORMATION

14.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

14.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1. STATUTORY FUNDS		
1.1 Capitalization Reserve		
Implementation of GAMAP:		
Transferred to Capitalization Reserve	17,725,887	20 359 868
Offsetting of prior year Depreciation	-	(1 285 749)
Balance at 30 June 2005	-	19 074 119
Offsetting of current year depreciation	-	(1 348 232)
Balance 30 June 2007	**17 725 887**	**17 725 887**
2. CONDITIONAL GRANTS AND RECEIPTS		
Project Funds:		
CMIP	274 558	297 041
I.G.G. Fund I	571 098	419 187
FMG Fund	465 233	188 788
Integrated Development plan fund	146 529	184 568
Survey fund	727 088	720 010
Sports facility grant fund	2 243 355	8 118
Testing centre fund	(363 672)	(28 861)
TLC let fund	1 339	-
Constitutional Development	1 047 440	1 047 440
M.S.P. Fund	1 702 328	1 702 328
TLC structure plan fund	4 938	4 938
MIG Fund	2 870 831	605 853
M.S.I.G Fund	391 137	417 000
DTLGA Council Chamber Grant	4 716 281	-
MAP Grant	2 548 349	-
Project Consolidate	1 125 381	-
Technical Support Grant	500 000	-
TOTAL	**18 972 213**	**5 566 410**

	2007	2006
3. CURRENT PROVISIONS		
Workmen	-	80 777
RSC Levies	-	50 993
Total Provisions	-	131 770
4. CREDITORS		
Trade Creditors	1109189	2 192 866
Unpaid cheques	-	593 945
Unknown deposits	-	1 603 289
Unutilized project funds	-	10 014 648
Drought Relief	1 400 000	1 400 000
Leave Provision	651 895	-
Housing Projects	18 312 346	-
Salary Control Creditors	68 916	-
Trade Creditors	21 542 346	15 804 748
5. CONDITIONAL GRANTS AND RECEIPTS		
Conditional grants from other spheres of Government		
CMIP	Note 2	297 041

See **Note 14** for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilized.

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

6. PROPERTY, PLANT & EQUIPMENT
30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Movable Assets	Other	Total
	R	R	R	R	R	R
Carrying values at 1 July 2006	**3 593 144**	**7 928 684**	**4 443 535**	**1 716 894**	**43 631**	**17 725 888**
Cost	3 973 308	8 696 169	5 438 850	4 428 688	166693	22 742 429
Accumulated depreciation	(380164)	(767 485)	(995315)	(2 711794)	(123062)	(5016541)
Acquisitions	1 677 934	5 703 475	-	-	2 834 295	10 215 704
Capital under Construction	-	-	-	-	-	-
Depreciation	()	()	()	()	()	()
Carrying value of disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values At 30 June 2007	**5 271 078**	**13 632 159**	**4 443 535**	**1716 894**	**2 877 926**	**27 941 592**
Cost	5 651 242	14 399 644	5 438 850	4 428 688	3 000 988	32 919 412
Accumulated depreciation	(380 164)	(767 485)	(995 315)	(2 711 794)	(123 062)	(4 977 820)

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2007. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

7. INVESTMENTS

	2007 R	2006 R
Unlisted		
Short-term investments/Financial Instruments		
Survey Account	-	720 010
I.G.G. Account	-	-
UMZIMKHULU Project Account 62023990907	1 288 556	460 653
Umzimkhulu IDP	-	184 568
UMZIMKHULU Pilot Housing	-	8 994
Testing Centre Account	-	11 551
Structure Account**36**	-	4 938
Mayoral Account	-	12 989
Sport Facility 62125140129	2 337 224	-
Reitvl/cly 62123938104	578 722	-
UMZIMKHULU Tourism Account		233 305
Umzimkhulu Rural/Disaster Account 62048701222	4 773 141	228 799
Riverside Project Account	835 272	579 253
Revolving Account	-	86 563
Wholesale Account	-	272 461
Ibisi Housing Project 62044980466	1 128 755	13 632
Clydesdale project Account	9 868 345	9 116
UMZIMKHULU Rural Housing Account	-	3 013
Riverside – Project Phase 2-62062571239	3 444 287	95 060
Council Dept A/c	-	11 922
Municipal Manager Account	-	4 359
MIG Grant Account 62123938055	2 197 591	2 797
FNB Call Account 62129237758	712 522	-
Council Chamber account 62123938154	5 086 021	-
MSIG 62127055045	413 307	-
MAP 62123938089	2 330 235	-
Project Consolidate	1 125 381	-
CMIP	300 134	-
TOTAL	**36 419 493**	**2 943 983**

Council's valuation of unlisted investments
-Valued at net book values as above
Investments amounting to R782274-00 were not reflected in the 2005/6 AFS. The Investments has been withdrawn and allocated to income for the year..

	2007 R	2006 R
8. LOANS RECEIVABLE		
Car Loans	-	122941

Car Loans
Senior staff is entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 4 years. The remaining balance is expected to be recovered in full within the next 12 months.

9. CONSUMER DEBTORS		
Refuse	3 551 731	2 576 489
Rates	6 153 739	5 278 354
Water	-	3 059 000
Sanitation	-	394 144
Less: Provision for bad debts	(7 812 079)	(4 523 194)
Total	**1 893 391**	**6 784 793**
Summary of Debtors for services		
Current (0 – 30 days)	98 634	168 841
30 Days	98 005	367 720
60 Days	249 998	28 257
90 Days	102 380	147 458
90 + Days	498 690	3 016 407
+120	2 504 023	2 300 950
Total	3 551 730	6 029 633
Less Provision for bad debts (40% of Total due)	2 547 482	(2 411 853)
	1 004 248	**3 617 780**
***Summary of Debtors for* Assessment Rates**		
Current (0 to 30 days)	98 162	-
30 Days	97 323	-
60 Days	96 803	-
90 Days	509 734	-
120 Days	5 351 717	-
TOTAL	**6 153 739**	**5 278 355**
Less Provision for bad debts	5 264 597	2 111 342
	889 142	**3 167 012**
TOTAL NET DEBTORS	**1 893 391**	**6 784 793**

	2007 R	2006 R
10. OTHER DEBTORS		
Payments made in advance	-	47 459
Funds	-	785 871
VAT	-	3 896 462
Overpayments	253 482	253 483
Staff Loans	-	6 400
Sundry Debtors	3 833 839	-
Mislaid Deposits	76 109	-
	4 163 430	**4 989 675**
10.1 VAT	**6 090 991**	-

11. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:-

Current Account (Primary Bank Account)

FNB Bank – Ixopo Branch Account No.: 525 5573 0913	995961	245 493
Other bank accounts		
CMIP Current account: A/C No.: 062 264 508	-	297 041
Riverside A/C No: 6203 1880 695	-	2 229
Ibisi Repr. Council A/C No: 6201 2555 837	-	-
FNB – UMZIMKHULU Project: A/C No: 6204 8699 550	-	55 607
FNB – Clysdale Project: A/C No.: 6204 4979 873	-	14 781
Ibisi Project: A/C No.: 6204 4979 261	-	7 377
Revolving Fund	-	31
FNB – Riverside Project: A/C No.: 6205 4525 492	-	300 438
Extension 5 & 6	-	64 802
Petty Cash	-	13 943
		756 249
Total Cash and Cash Equivalents (Favourable)	**995961**	**1 001 742**

12. PROPERTY RATES

Actual		
Total Assessment Rates	**1 229 716**	**908 595**

13. SERVICE CHARGES

Sale of water	-	888 613
Refuse removal	962 658	676 149
Sewerage and sanitation charges	-	115 797
Total Service charges	**962658**	**1 680 559**

	2007 R	2006 R
14. GOVERNMENT GRANTS AND SUBSIDIES EXPENDITURE		
Equitable Share	29 615 056	26 344 940
District Municipality & Other Grants	-	2 894 813
FMG Fund	223 560	-
IDP Fund	38 153	-
Survey Fund	85 331	-
Sport Facility Grant Fund	201 516	-
MIG Fund	5 703 476	826 962
MSIG Fund	783 219	-
DTLGA Council Chamber Grant	1 677 934	-
MAP Grant	1 472 072	-
Testing Centre	-	369 569
CMIP	-	633
IGG Fund	-	151924
Total Government Grant and Subsidies	**39 800 317**	**30 588 841**
14.1 Equitable Share		
In terms of the Constitution, this grant is used to subsidize the provision of basic services to indigent community Members.		
14.2 IGG Fund		
Balance unspent at beginning of year	419 188	568 958
Correction 2005/2006	151 910	-
Restated Balance	**571098**	**568 958**
Interest Received	-	2 154
Conditions met transferred to revenue	-	151 924
Conditions still to be met	**571 098**	**419 188**
14.3 FMG Fund		
Balance unspent at beginning of year	188 788	188 788
Current year receipts	500 000	-
Interest received	5	-
Conditions met transferred to revenue	223 560	-
Conditions still to be met	**465 233**	**188 788**

	2007 R	2006 R
14.4 IDP Fund		
Balance unspent at beginning of year	184 568	176 461
Current year receipts	-	-
Interest received	114	8 107
Conditions met transferred to revenue	38 153	-
Conditions still to be met	**146 529**	**184 568**
14.5 Survey Fund		
Balance unspent at beginning of year	720 011	68 689
Current year receipts	-	641 000
Interest received	92 408	10 322
Conditions met transferred to revenue	85 331	-
Conditions still to be met	**727 088**	**720 011**
14.6 Sport Facility Grant Fund		
Balance unspent at beginning of year	8 118	8 118
Current year receipts	2 400 000	-
Interest Received	36 753	-
Conditions met transferred to revenue	201 516	-
Conditions still to be met	**2 243 355**	**8118**
14.7 Testing Centre Fund		
Balance unspent at beginning of year	(28 861)	28 414
Prior year corrections 2005/2006	(334 949)	-
Restated Balance	**(363 810)**	**28 414**
Current year receipts	-	311 847
Interest received	138	447
Conditions met transferred to revenue	-	369 569
Conditions still to be met	**(363 672)**	**(28 861)**
14.8 MSP Fund		
Balance unspent at beginning of year	1 702 328	1 702 328
Current year receipts	-	-
Conditions met transferred to revenue	-	-
Conditions still to be met	**1 702 328**	**1 702 328**
14.9 TLC Structure Plan Fund		
Balance unspent at beginning of year	4 938	4 759
Current year receipt	-	-
Interest received	-	179
Conditions met transferred to revenue	-	-
Conditions still to be met	**4 938**	4 938

14.10 MIG Fund		
Balance unspent at beginning of year	605 850	1 432 814
Current year receipts	7 892 406	-
Interest received	76 051	-
Conditions met transferred to revenue	5 703 476	826 962
Conditions still to be met	**2 870 831**	**605 850**

	2007 R	2006 R
14.11 MSIG Fund		
Balance unspent at beginning of year	417 000	-
Current year receipts	734 000	417 000
Interest received	23 356	-
Conditions met transferred to revenue	783 219	-
Conditions still to be met	**391 137**	**417 000**
14.12 TLC Let Fund		
Balance unspent at beginning of year	-	1 250
Prior year corrections 2005/2006	1 276	-
Restated Balance	**1 276**	**1 250**
Current year receipts	-	-
Interest received	63	26
Conditions met transferred to revenue	-	1 276
Conditions still to be met	**1 339**	-
14.13 Constitutional Development		
Balance unspent at beginning of year	1 047 440	1 047 440
Current year receipts	-	-
Conditions met transferred to revenue	-	-
Conditions still to be met	**1 047 440**	**1 047 440**
14.14 CMIP Grant		
Balance unspent at beginning of year	297 041	294 887
Prior year corrections	(26 274)	-
Restated Balance	**270 767**	**294 887**
Current year receipts	3 792	2 787
Conditions met transferred to revenue	-	633
Conditions still to be met	**274 558**	**297 041**
14.15 DTLGA Council Chamber Grant		
Balance unspent at beginning of year	-	-
Current year receipts	6 300 000	-
Interest received	94 215	-
Conditions met transferred to revenue	1 677 934	-
Conditions still to be met	**4 716 281**	-

14.16 MAP Grant		
Balance unspent at beginning of year	-	-
Current year receipts	4 000 000	-
Interest received	20 421	-
Conditions met transferred to revenue	1 472 072	-
Conditions still to be met	**2 548 349**	

	2007 R	2006 R
14.17 Project Consolidate		
Balance unspent at beginning of year	-	-
Current year receipts	1 100 000	-
Interest received	25 381	-
Conditions met transferred to revenue	-	-
Conditions still to be met	**1 125 381**	-
14.18 Technical Support Grant		
Balance unspent at beginning of year	-	-
Current year receipts	500 000	-
Conditions met transferred to revenue	-	-
Conditions still to be met	500 000	-

	2007 R	2006 R
15. OTHER INCOME		
Unknown deposits	3 155 133	-
Reversal of funds (prior year)	10 014 648	-
Unpaid cheques	593 945	-
Sundries	443 948	1 713 009
Building Plans & Servitudes	5 543	6 424
Cemetery fees	12 035	10 700
Advertising	0	1 322
Hall fees	12 102	87 625
Investment adjustment (prior years)	782 351	-
Total Other Income	**15 019 705**	**1 819 080**

16. EMPLOYEE RELATED COSTS		
Employee related costs – Salaries and Wages	8 635 858	
Employee related costs – UIF, pensions and medical aids	1 191 223	
Travel, motor car and other allowances	211 962	
Housing benefits and allowances	557 647	
Overtime payments	188 673	
Performance bonus	171 525	
Leave payments	934 358	
Total Employee Related Costs	**11 891 246**	**15 474 924**

	2007 R	2006 R
Remuneration of the Municipal Manager (appointed on the 1 November 2006)		
Annual remuneration – 8 months	433 325	
Remuneration of the Chief Financial Officer (appointed on the 1 May 2007)		
Annual remuneration – 2 months	80 989	
Remuneration of the Manager: Corporate Services (appointed on the 1 April 2007)		
Annual remuneration – 3 months	121 482	
Remuneration of the Manager: Traffic and Licensing		
Annual remuneration – 12 months	294 717	
Performance bonus	22 145	
	316 862	
Remuneration of the Manager: Planning and Housing (Exited service on 26 March 2007)		
Annual remuneration – 12 months	284 049	
Performance bonus	30 449	
	314 498	
Remuneration of the Manager: Technical Services (Appointed on February 2007)		
Annual remuneration – 6 months	242 968	

17. REMUNERATION OF COUNCILLORS

Executive Mayor	437 106	2 764 401
Chief Whip	346 251	
Speaker	352 941	
Executive Committee members	1 429 944	
Councillors	3 833 942	
Cell phone costs	586 236	
Total Councillors' Remuneration	**6 986 420**	**2 764 401**

In-kind Benefits

The Mayor, Speaker and three Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle for official duties.

18. BAD DEBTS

Contribution to the bad debt provision	3 288 885	649 752

19. CASH GENERATED BY OPERATIONS

Net surplus/(deficit) for the year	(25 826 921)	(9 318 629)
Adjustment for:-		
Capital grants used to purchase PPE	7 839 859	-
Non-cash items: Estimates of service charges & Rates	-	1 624 380
Contributions to Fixed Assets	-	153 606
Income unallocated in creditors	-	1 138 039
Investment income	1 012 133	(49 138)
Interest paid		
Operating surplus before working capital changes:	**(16 974 929)**	**(6 461 841)**
(Increase)/decrease in consumer debtors	(4 891 403)	-
(Increase)/decrease in accounts receivable & other debtors	(894 137)	(2 380 745)
(Increase)/decrease in current portion long term loans	(122 941)	-
Decrease in provisions	131 770	-
Increase in conditional grants and receipts	(13 405 803)	-
Increase/(decrease) in accounts payables & other creditors	(4 766 990)	8 129 127
Cash generated by operations	**(40 924 433)**	**(3 377 987)**

20. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure		
Approved and contracted for:	**9259338**	-
- Infrastructure	9259338	-
The expenditure will be financed from:		
- Government Grants	9259338	-

21. UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

There are no unauthorized, irregular, fruitless and Wasteful expenditure that can be disclosed.	-	-

22. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

22.1 Contributions to organized local government

Opening balance	-	-
Council subscriptions	57 371	-
Balance unpaid	**57 371**	-

The subscriptions were paid during August 2007.

APPENDIX D

UMZIMKULU MUNICIPALITY: SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R		2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R
			EXECUTIVE AND COUNCIL	3,158,823.00	16,251,572.00	-13,092,749.00
			FINANCE AND ADMIN	53,109,031.00	6,815,966.00	46,293,065.00
			PLANNING & DEVELOPMENT	311,330.00	5,886,432.00	-1,370,291.00
			COMMUNITY AND SOCIAL SER	986,795.00	2,645,919.00	-1,659,124.00
			PUBLIC SAFETY	1,269,491.00	1,408,660.00	-139,169.00
-	-	-	**TOTAL**	**58,835,470.00**	**33,008,549.00**	**25,826,921.00**

APPENDIX E(1)

UMZIMKULU MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR E ENDED 30 JUNE 2007

		2007 Budget (R)	2007 Actual (R)	2007 Variance (R)	2007 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE						
ASSESSMENT RATES		1,229,660.00	1,229,716.00	-56.00	-0.00	
SERVICE CHARGES		1,199,909.00	962,658.00	237,251.00	0.20	
FINES		1,310,096.00	1,243,548.00	66,548.00	0.05	
GOVERNMENT GRANTS AND SUBSIDIES		55,806,398.00	39,804,007.00	16,002,391.00	0.29	
INTERESTS ON INVESTMENTS		50,000.00	244,105.00	-194,105.00	-3.88	
LICENCES AND PERMITS		78,042.00	25,943.00	52,099.00	0.67	
RENTAL INCOME		210,790.00	305,786.00	-94,996.00	-0.45	
OTHER INCOME		2,890,865.00	15,019,705.00	-12,128,840.00	-4.20	
			-	-		
Total Revenue		**62,775,760.00**	**58,835,468.00**	**-3,940,292.00**	**0.01**	

-

		2007 Budget (R)	2007 Actual (R)	2007 Variance (R)	2007 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
EXPENDITURE						
EMPLOYMENT RELATED COSTS		16,946,369.00	11,891,246.00	5,055,123.00	0.30	
REMUNERATION OF COUNCILLORS		8,723,057.00	6,986,420.00	1,736,637.00	0.20	
DEPRECIATION		1,348,232.00	-	1,348,232.00	1.00	
REPAIRS AND MAINTENANCE		2,175,000.00	995,133.00	1,179,867.00	0.54	
CAPITAL EXPENDITURE		-	-	-	-	
GENERAL EXPENDITURE		33,555,446.00	9,805,663.00	23,749,783.00	0.71	
CONTRIBUTIONS		-	3,288,885.00	-3,288,885.00	-	
PROVISION FOR BAD DEBTS			41,200.00			
		-		-		
TOTAL EXPENDITURE		**62,748,104.00**	**33,008,547.00**	**29,739,557.00**		

NET SURPLUS /(DEFICIT) FOR THE YEAR		27,656.00	**25,826,921.00**

APPENDIX E(2)

UMZIMKULU MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007

	COST				ACCUMULATED DEPRECIATION						
	2006 Actual	Additions -	Disposals/ Transfers	Closing Balance 2007	Opening Balance 2006	Additions -	Disposals	Closing Balance 2007	Carrying Value	Budget Additions 2007	
	R	R	R	R	R	R	R	R			
Infrastructure	8,696,169.00	5,703,475.00		14,399,644.00	767,485.00			767,485.00	13,632,159.00		
Community Assets	5,438,850.00			5,438,850.00	995,315.00			995,315.00	4,443,535.00		
Other Assets											
Land & Buildings	3,973,308.00	1,677,934.00		5,651,242.00	380,164.00			380,164.00	5,271,078.00		
Movable Assets	4,428,688.00			4,428,688.00	2,711,794.00			2,711,794.00	1,716,894.00		
Other Assets	205,414.00	2,834,295.00		3,039,709.00	161,783.00			161,783.00	2,877,926.00		
Total	**22,742,429.00**	**10,215,704.00**	**-**	**32,958,133.00**	**5,016,541.00**			**5,016,541.00**	**27,941,592.00**		